

25 June 2025

CPE Technology

Precision in Motion

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INVESTMENT MERIT

CPETECH is ramping up capacity to meet rising semiconductor demand, with the segment contributing 65% of its 9MFY25 revenue. The group is expanding its CNC machine fleet, and upgrading facilities to enhance efficiency. Positioned as a qualified supplier of precision components for Integrated Gas Systems (IGS), CPETECH is leveraging on the rising front-end wafer fabrication demand. CPETECH benefits from high entry barriers and long customer stickiness. With new U.S. customers' wins progressing, and improved product mix, we forecast net profit to grow 121%/7% to RM24.5m/RM26.2m for FY25/FY26. We assign a fair value of RM0.80 based on 20.6x FY26F PER and rate the stock as 'Not Rated'.

Rapid capacity expansion to capture semiconductor upside. CPETECH, a leading provider of engineering support services specialising in the manufacturing of precision-machined components, is ramping up capacity to capitalise on robust demand from the semiconductor industry. The company produces high-precision parts from metal rods and blocks, offering customised solutions tailored to the specific requirements of its customers across multiple industries. Currently operating six manufacturing plants, CPETECH is expanding its fleet of Computer Numerical Control (CNC) machines from 333 to 370 units, complemented by increased investment in automation and process upgrades. Concurrently, legacy facilities are being relocated and refurbished to boost operational efficiency and support higher production volumes. As of 9MFY25, the semiconductor segment accounted for 65% (vs. 53% a year ago) of group revenue, with contributions from life sciences & medical devices (16%), sports equipment (11%), aerospace (3%), sensor equipment (2%), and others (3%). From a geographical standpoint, Singapore, the United States, and Malaysia were the top revenue contributors at 44%, 41%, and 12%, respectively.

Strengthening position in critical front-end semiconductor equipment supply chain. CPETECH has established a strategic foothold in the global front-end semiconductor equipment supply chain, specialising in the production of precision-machined components for Integrated Gas Systems (IGS). These components play a crucial role in wafer fabrication processes such as oxidation, photolithography, and etching, which are core to equipment supplied by industry leaders like Tokyo Electron, Lam Research, and Applied Materials. CPE's ability to consistently meet stringent "Copy Exact" standards such as ultra-smooth internal finishes and zero-contamination tolerances has earned the Group qualification from several top-tier Japanese and U.S. equipment makers. Its vertically integrated manufacturing model, encompassing CNC machining and secondary processes like polishing and sandblasting, provides customers with both production flexibility and robust quality control.

Deep qualification complexity reinforces stickiness. The stringent qualification standards imposed by semiconductor OEMs, particularly from Japan, present high barriers to entry. CPETECH highlighted that even minor changes to material sources or machining methods can trigger full requalification, with validation cycles typically taking 6 to 9 months or longer. These include detailed assessments of material traceability, internal surface flatness, and defect tolerances. Once qualified, suppliers like CPETECH are deeply embedded into customers' supply chains, significantly enhancing business stickiness and recurring revenue visibility over the long term. Recent engagements with two U.S. companies ("W" and "U") are progressing

	Rating	Fair Value
Last Price		RM0.810
Kenanga	Not Rated	RM0.800
Consensus	Add	RM1.00

Stock Information

Shariah Compliant	YES
Stock Name	CPE TECHNOLOGY BHD
CAT Code	5317
Industry	Industrial
Industry Sub-sector	Industrial Machinery & Supplies
YTD stock price chg	-13.4%
Market Cap (RM m)	543.8
Shares Outstanding (m)	671.3
52-week range (Hi)	1.52
52-week range (Low)	0.43
3-mth avg. daily vol.	1,140,597
Free Float	44%
Beta	NA
Altman's Z-score	15.5

Major Shareholders

Yeong Lee Chen	28.1%
Ming Foo	16.8%
Chai Mu Woon	11.2%

Financials

FYE Jun (RM m)	2024A	2025F	2026F
Turnover	90	129	132
GP	23	40	44
PBT	14	31	34
Net Profit	11	24	26
EPS (sen)	1.9	3.6	3.9
EPS growth (%)	-69	96	7
NDPS (sen)	1.2	2.0	2.0
BV/Share (RM)	0.5	0.5	0.5
Core PER (x)	40.9	20.8	19.5
P/BV (x)	1.4	1.6	1.5
Gearing (x)	N.Cash	N.Cash	N.Cash
Net Dvd Yield (%)	1.5	2.6	2.6

Quarterly Financial Data (RM m)

	1QFY25	2QFY25	3QFY25
Revenue	29.3	33.2	34.2
PBT	3.0	13.3	9.7
Net Profit	2.3	10.5	7.6
Basic EPS (sen)	0.3	1.6	1.1
Revenue Growth (QoQ)	27%	13%	3%
EPS growth (QoQ)	-11%	358%	-27%
Net Profit Margin	8%	32%	22%

	Fwd. PER (x)	PBV (x)	Mkt Cap (RM m)
Peers Comparisons			
UWC	23.7	4.2	2039
SFP TECH	10.6	2.2	504
CORAZA	14.9	1.4	210
Average	18.7	1.8	

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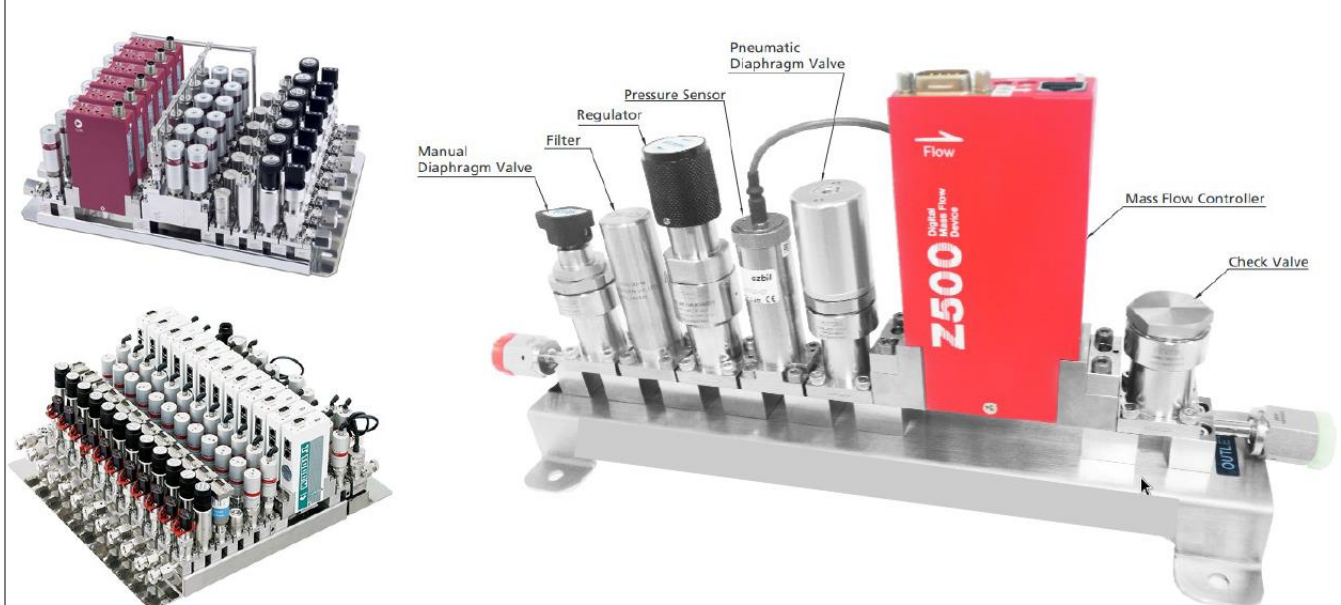
well, with one having passed First Article (FA) evaluation and the other undergoing active sampling. We have yet to impute any contribution from the customer W and U into our earnings model.

Forecast. We project the group to deliver robust earnings growth with net profit expected to rise by 121% YoY to RM24.5m in FY25 and a further 7% YoY to RM26.2m in FY26. The sharp earnings rebound is underpinned by stronger turnover and margin expansion, driven primarily by the growing contribution from the higher-value semiconductor segment. We forecast revenue of RM129m in FY25 and RM132m in FY26, with gross profit margins projected to improve from 31% to 33% over the same period.

We assign a fair value of RM0.80 to CPETECH, based on a targeted FY26F PER of 20.6x, at a 10% premium as compared to the industry (such as UWC, SFP Tech and Coraza) forward average PER of 18.7x, due to its superior GP margin of more than 30%. We rated the stock at 'Not Rated'.

Risks to our call include: (i) weaker-than-expected USD against MYR, which may impact export-driven margins, (ii) supply disruptions or difficulty in securing high-grade raw materials, and (iii) failure to meet customers' stringent technical and quality requirements, which could affect qualification and order flows.

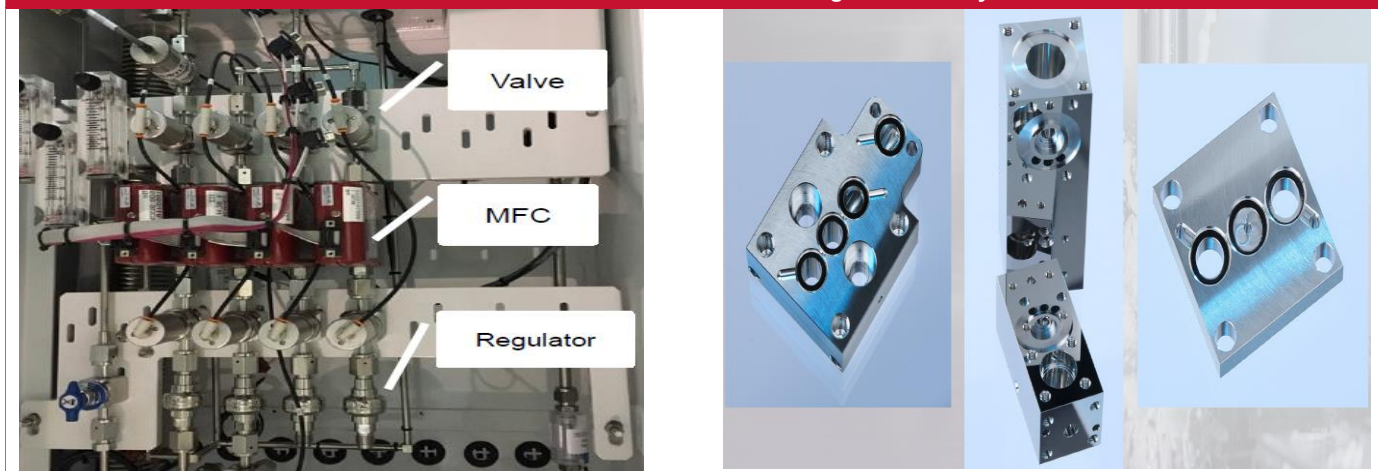
Semicon Equipment: Integrated Gas System (IGS)



Source: CPETECH, Kenanga Research

Semiconductor Products

Parts: Integrated Gas System



Source: CPETECH, Kenanga Research

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Parts: Life Science & Medical Devices



Parts: Sport Equipment



Source: CPETECH, Kenanga Research

Daily Charting – CPE Technology Berhad



Comment: CPETECH closed at RM0.81 after gaining 5.2% in the latest session, breaking above its short-term moving averages. The price is gradually recovering from its March low and is now testing the 200-day SMA at RM0.82 and a key downtrend resistance near the 61.8% Fibonacci retracement level at MYR 0.835. The stochastic oscillator is in overbought territory, indicating strong short-term momentum but caution for potential pullback. A sustained breakout above RM0.82 may open the path toward RM0.835, and RM0.965. However, failure to break this resistance zone may result in a pullback toward immediate support at MYR 0.79 and RM0.755 next.

Source: Kenanga Research

About the stock:

Name : CPE TECHNOLOGY Bhd
Bursa Code : CPETECH
CAT Code : 5317

Key Support & Resistance level

Resistance : RM0.820 (R1) RM0.835 (R2)
Support : RM0.790 (S1) RM0.755
Outlook : Potential technical breakout

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	☆		
	Anti-corruption Policy	★	★	☆		
	Emissions Management	★	★	☆		
SPECIFIC	Product Quality & Safety	★	★	★	★	
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Biodiversity & Conservation	★	★	★		
	Green Building	★	★	★		
	Supply Chain Management	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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